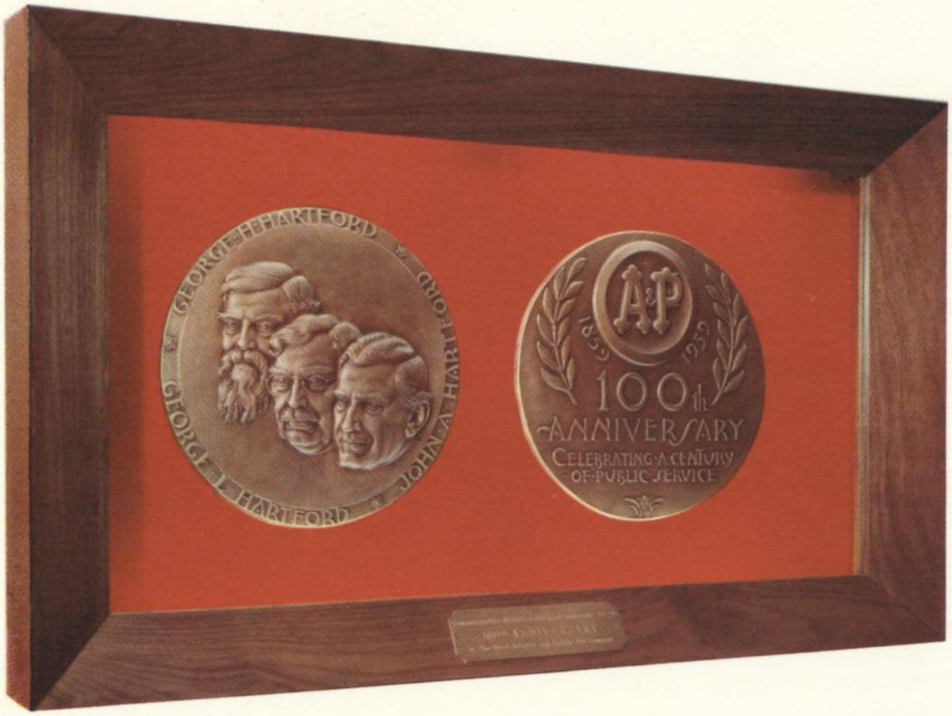
A&P

The Great Atlantic & Pacific Tea Company, Inc.

Annual Report

FOR THE YEAR ENDED FEBRUARY 28,

1959



In commemoration of the Company's 100th Birthday Anniversary which is being celebrated this year, a bronze medallion, designed by the famous medallic sculptor, Anthony de Francisci, has been mounted in a glass-enclosed shadow box in the Headquarters offices at the Graybar Building in New York. The "face" of this twin medallion carries the likenesses of, and is dedicated to, Mr. George Huntington Hartford, founder of A & P, and his two older sons, Mr. George L. Hartford and Mr. John A. Hartford, who with their father guided the destinities of the firm for almost its entire first century.

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.
and Subsidiary Companies

Statement of Consolidated Income and Earned Surplus

FOR THE PERIOD ENDED FEBRUARY 28, 1959 AND FEBRUARY 22, 1958

	53 Weeks February 28, 1959	52 Weeks February 22, 1958
Sales	$5,094,741,391	$4,769,249,488
Cost of Merchandise Sold	4,337,197,513	4,071,668,562
Gross Profit	757,543,878	697,580,926
Store Operating, General and Administrative Expenses	639,639,936	588,281,721
Profit from Operations	117,903,942	109,299,205
Interest on Temporary Investments in Government Obligations	1,001,228	1,367,481
TOTAL	118,905,170	110,666,686
United States and Canadian Income Taxes	65,000,000	60,000,000
Net Income	53,905,170	50,666,686
Earned Surplus at Beginning of Period	322,123,240	300,157,884
Earned Surplus of Merged Company (Note 1)	3,339,400	
TOTAL	379,367,810	350,824,570
Deduct:		
Accrued vacation cost at beginning of period (less related reduction in United States income taxes)		10,200,000
Cash dividends:		
First preferred stock — 1959, $5.25 a share; 1958, $7 a share	1,361,126	1,814,834
Common stocks (old) — 1959, $3 a share; 1958, $8 a share	6,257,436	16,686,496
Common stock (new) — 1959, $.50 a share	10,817,953	
Transfer to capital surplus (Note 1)	212,743,006	
TOTAL	231,179,521	28,701,330
Earned Surplus at End of Period	$ 148,188,289	$ 322,123,240

See the accompanying Notes to Financial Statements

Balance Sheet

AND FEBRUARY 22, 1958

Liabilities

	February 28, 1959	February 22, 1958
CURRENT LIABILITIES:		
Accounts payable	$135,910,886	$135,669,075
Accrued accounts:		
United States and Canadian income taxes	53,154,671	42,621,066
Other taxes, salaries, etc.	32,453,063	28,018,975
Total current liabilities	221,518,620	206,309,116
RESERVES FOR SELF-INSURANCE, ETC.	5,845,549	5,514,590
CAPITAL STOCK AND SURPLUS (Note 1):		
Capital stock	21,635,906	62,232,300
Capital surplus	250,000,000	
Earned surplus	148,188,289	322,123,240
Total capital stock and surplus	419,824,195	384,355,540
TOTAL	$647,188,364	$596,179,246

surplus to consolidated capital surplus so as to state the latter amount at $250,000,000.

2. The activities of the companies are conducted in leased premises, except for a few manufacturing and warehousing operations. The leases are for varying periods (generally for 3 to 10 years), renewable in most instances at the option of the companies. At February 28, 1959 the companies were lessees under approximately 4,550 leases (exclusive of premises where operations had not commenced), with an annual rental of approximately $50,600,000.

Since February 28, 1959, the companies' modernization program has involved the customary substantial expenditure, made or to be made, for new store leases, equipment, and inventories.

3. Under the terms of a group annuity contract to provide non-contributory retirement benefits to eligible employees, contributions by the companies, including amounts for past service benefits, were $21,112,338 and $21,568,638 for the period ended February 28, 1959 and February 22, 1958, respectively. The estimated remaining past service contributions under the plan amounted to approximately $17,750,000 at February 28, 1959.

4. Cost and expenses include depreciation and amortization of $28,655,799 and $25,800,558 for the period ended February 28, 1959 and February 22, 1958, respectively.

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.
and Subsidiary Companies

Consolidated

FEBRUARY 28, 1959

Assets

	February 28, 1959	February 22, 1958
CURRENT ASSETS:		
Cash	$148,222,605	$171,719,674
United States and Canadian Government obligations — at cost	36,733,451	
Accounts receivable	10,089,205	9,640,260
Merchandise and supplies (at the lower of cost or market)	272,124,240	252,690,034
Total current assets	467,169,501	434,049,968
PROPERTY, EQUIPMENT, AND FIXTURES:		
Land, at cost	916,699	917,026
Buildings, at cost less accumulated depreciation — 1959, $6,091,624; 1958, $5,936,748	2,448,691	2,597,156
Equipment, at cost less accumulated depreciation — 1959, $91,055,608; 1958, $80,885,699	125,022,733	114,020,552
Store fixtures, at amortized cost	39,419,061	33,753,695
Property, equipment, and fixtures — net	167,807,184	151,288,429
DEFERRED CHARGES	12,211,679	10,840,849
TOTAL	$647,188,364	$596,179,246

Notes to Financial Statements

1. The outstanding common stock of the Company at February 28, 1959 was issued in December 1958 in connection with the merger (a pooling of interests) into the Company of its then parent, The New York Great Atlantic and Pacific Tea Company, Inc. Three shares of new common stock were issued for each share of the then outstanding preferred stock of the Company and ten shares for each share of the then outstanding voting common stock and non-voting common stock. After the recapitalization, and also at February 28, 1959, there were 28,000,000 shares of common stock authorized ($1 par value per share) of which 21,639,206 were issued, 3,300 of which were held by a consolidated subsidiary company.

The excess of the stated value of the previously issued capital stocks over the par value of the newly issued common stock (after deduction of $3,339,400, representing the earned surplus of the New York company at the merger date, which was credited to earned surplus) was credited to capital surplus and in February 1959 the Company's Board of Directors authorized the transfer of sufficient consolidated earned

competition by constantly seeking and finding new and better ways of serving our customers.

But these problems have always been with us in degree. They are inherent in the nature of our business and no cause for discouragement.

While no one can predict in these fast-moving times what the next year will bring, the outlook for our business is promising. Our physical facilities are generally in good order and improving all the time. Our financial position is sound. Our relations with our suppliers are good. And we enjoy the confidence of a vast number of customers who, over the years, have learned to count on us for top-quality food at low prices.

In addition, in doing this job we are fortunate in having a body of loyal, devoted, skilled and hard-working employees, who have great depth and breadth of experience.

With the performance of our organization, the guidance of our Board and support of our stockholders, we are confident that we can meet the challenge of the years ahead as we have the hundred years that have passed. In this way we will keep our company sound; and all of us — employees and stockholders, suppliers and customers alike — who have a stake in its future will benefit accordingly.

CHAIRMAN AND PRESIDENT

May 5, 1959

We have kept those policies few and simple. They are posted on the wall of every A & P store. Perhaps they can be best summed up in the words of the founder—"Always do what is fair, honest, sincere and in the best interests of our customers."

In all this formative period, we were fortunate in having a continuity of management. The founder and his two sons, George L. and John A. Hartford, were blessed with long lives, and both we and the public we serve are the beneficiaries of their inspired leadership.

As we face the future, it gives us confidence to know that the men responsible for the management of our operations are thoroughly instilled in, and devoted to, the basic policies of economy and efficiency which have enabled us to do our important work well.

As we enter our second century of service to the American public, we find greater need than ever for strict adherence to these basic policies.

In the first place, because we are dealing with the primary necessity of life, we have a great public responsibility. With food taking 25 to 30 per cent of the average family's budget, and the cost of living generally on the rise, we must make every effort to keep food prices from soaring if people are to eat well and still have money left to spend for the other things they want and need.

In facing up to this challenge, we are confronted with the problem of rising costs. In the past ten years, labor costs, which represent approximately half of the entire marketing costs, have increased 45 per cent. Rail transportation costs have increased 36 per cent, and rents, utilities and other overhead costs have gone up 41 per cent. All these costs are still rising.

Our task is further complicated by the fact that we are engaged in the most competitive business in the world. In every community in which we operate, we are confronted with able, aggressive competition, both by other chains and by individual merchants—almost 400,000 in all throughout the United States.

The experience of a hundred years has shown us clearly that we can only meet the triple challenge of public responsibility, rising costs and keen

To Our Stockholders

THE 1958 FISCAL YEAR was a significant year in our company's history. It rounded out a century of dependable service to the American public, during which we have tried to provide good food at reasonable prices to our customers. It brought a simplification of the corporate structure, with voting common stock becoming available generally to the public for the first time. It witnessed the continued sound development of our business in terms of sales and earnings, stores and operations, and service to our customers.

During the past year our store-development program continued in line with our policy of keeping our operations up-to-date and geared to the changing needs of our customers. During the year 227 new stores were opened, 426 stores were modernized, and 172 stores were closed. At the end of the year our company operated 4,252 stores in 37 states and the District of Columbia and Canada, as compared with 4,197 stores in operation at the end of the previous fiscal year.

Most of the new stores being opened are of the early American design, depicted on the cover of this Report, which while ideally equipped for efficient operations and modern shopping convenience, is also in keeping with our early origins and long traditions.

The last quarter of the fiscal year saw the launching of a year-long celebration of our company's hundredth birthday. The theme of the celebration, "Thanks America," is designed to express to our customers our appreciation of their patronage in the way we know best: by bringing them more good food for their money.

Throughout the years, our development has been sound and natural. It has not been the result of mergers or outside financing. It has been the result of the sound policies laid down by our founder, and the devotion and skill with which generations of employees have carried out those policies.

Comparative Highlights

	YEAR ENDED February 28, 1959 (53 Weeks)	February 22, 1958 (52 Weeks)
Sales	$5,094,741,391	$4,769,249,488
Income Before Income Taxes	118,905,170	110,666,686
United States and Canadian Income Taxes	65,000,000	60,000,000
Net Income	53,905,170	50,666,686
Stockholders' Equity	419,824,195	384,355,540
Current Assets	467,169,501	434,049,968
Current Liabilities	221,518,620	206,309,116
Property, Equipment, and Fixtures, less depreciation and amortization	167,807,184	151,288,429

The Great Atlantic & Pacific Tea Company, Inc.

OFFICERS

RALPH W. BURGER, *Chairman of the Board and President*
JOHN D. EHRGOTT, *Vice President and Treasurer*
HARRY B. GEORGE, *Vice President*
STEPHEN W. SHEA, *Vice President*
JOHN J. REILLY, *Secretary*

DIRECTORS

OLIVER C. ADAMS
RALPH MANNING BROWN, JR.
FRANCIS H. BUCHER
*RALPH W. BURGER
JOHN L. BURNS
*WILLIAM M. BYRNES
HAROLD W. CARVER
LAWRENCE M. CAZAYOUX
JAY E. CRANE
DONALD KIRK DAVID
*JOHN D. EHRGOTT
*HARRY B. GEORGE
WILLIAM F. LEACH
GWILYM A. PRICE
JOHN J. REILLY
*ELMER L. REYNOLDS
*STEPHEN W. SHEA
JOHN ELLIOT SLATER
JOSEPH P. SMITH
ROBERT M. SMITH

**Members of the Executive Committee*

EXECUTIVE OFFICES: 420 Lexington Avenue, New York 17, New York

TRANSFER AGENT: Morgan Guaranty Trust Company of New York
New York, New York

REGISTRAR: The First National City Bank of New York
New York, New York

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

NATIONAL NEWARK BUILDING
NEWARK 2

ACCOUNTANTS' OPINION

To the Board of Directors of
The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheet of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 28, 1959, and the related statement of consolidated income and earned surplus for the 53 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at February 28, 1959 and the results of their operations for the 53 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Haskins & Sells

May 1, 1959.

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